

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 AF-10 IO-14 CIAE-00 DODE-00 PM-07

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SPC-03 SS-20 USIA-15 OMB-01 AID-20 EB-11 CIEP-02

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AMEMBASSY JAKARTA

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AMEMBASSY LONDON

AMEMBASSY PARIS

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SUBJ: NORWEGIAN OIL SUPPLY AND RATIONING

BEGIN SUMMARY: NORWAY WILL INTRODUCE GAS RATIONING FOR AN
INITIAL PERIOD OF SIX WEEKS BEGINNING JANUARY 25. THE
BASIC RATION WILL BE 80 LITERS FOR THE PERIOD. OIL DELIVERIES
TO NORWAY HAVE BEEN REDUCED APPROXIMATELY 20 PERCENT. REDUCTIONS
BY AMERICAN COMPANIES ARE MUCH HIGHER AND ARE BEING INVESTIGATED.
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NORWAY IS COORDINATING RATIONING AND OIL PURCHASES WITH DENMARK

AND SWEDEN. BUNKERING DIFFICULTIES HAVE EASED, AND NORWAY IS BEING OFFERED LARGE QUANTITIES OF OIL BY SPECULATORS AND OTHERS. END SUMMARY.

1. COMMERCE MINISTER JENS EVENSEN ANNOUNCED ON JANUARY 7 THAT THE NORWEGIAN GOVERNMENT WILL INTRODUCE GAS RATIONING ON JANUARY 25 FOR AN INITIAL PERIOD OF SIX WEEKS. THE BASIC QUOTA FOR CARS WILL BE 80 LITERS FOR THIS PERIOD. RATION CARDS HAVE ALREADY BEEN DISTRIBUTED. "UNLESS SOMETHING UNEXPECTED HAPPENS" RATIONING WILL BE CONTINUED FOR A FURTHER PERIOD AFTER THE FIRST SIX WEEKS ENDS ON MARCH 8. AN OIL RATIONING DIRECTORATE WILL BE SET UP UNDER THE COMMERCE MINISTRY AND WILL BE HEADED BY ERIK BROFOSS WHO RECENTLY RETIRED AS NORWAY'S EXECUTIVE DIRECTOR AT THE IMF IN WASHINGTON. A SMALL STAFF DRAWN FROM VARIOUS MINISTRIES WILL BE ESTABLISHED UNDER BROFOSS TO ADMINISTER THE PROGRAM. NORWEGIAN OIL STOCKS HAVE DECLINED FROM APPROXIMATELY 70 DAYS TO 30 TO 40 DAYS.

2. EVENSEN CONFIRMED AT LUNCH JANUARY 8 THAT OIL DELIVERIES TO NORWAY HAD DECLINED ABOUT 20 PERCENT. WHILE GASOLINE AVAILABILITY HAD DECREASED ONLY 10-15 PERCENT, HEATING OIL AND HEAVY OILS HAD DECLINED SOMEWHAT MORE. FURTHERMORE, THE SITUATION WAS QUITE DIFFERENT AMONG OIL COMPANIES. BP AND SHELL REPORT THAT THEY ARE ENCOUNTERING NO REAL SHORTFALLS WHEREAS AMERICAN COMPANIES, PARTICULARLY ESSO, WERE REPORTING SHORTFALLS OF 30-40 PERCENT, AND THE NORWEGIAN GOVERNMENT WAS LOOKING INTO THE REASONS FOR THESE DISCREPANCIES.

3. DELIVERIES OF HEATING OILS HAVE ALREADY BEEN REDUCED 25 PERCENT AND OIL FOR INDUSTRIAL USE 10 PERCENT. HYDROELECTRIC POWER IS IN PLENTIFUL SUPPLY AND MAXIMUM CONVERSION OF PLANTS TO ELECTRICITY HAS RESULTED IN A NET SAVING OF OIL FOR INDUSTRIAL USE OF 20 PERCENT. SO FAR THERE HAVE BEEN NO DISLOCATIONS OR UNEMPLOYMENT BECAUSE OF THE OIL SHORTAGES, AND EVENSEN WAS HOPEFUL THAT FURTHER MEASURES TO RESTRICT CONSUMPTION WOULD NOT BE NECESSARY.

4. ON BUNKERS EVENSEN SAID THAT THE SITUATION APPEARED TO HAVE IMPROVED AND THAT NO RECENT SHORTAGES HAD BEEN LIMITED OFFICIAL USE

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REPORTED BY NORWEGIAN SHIPOWNERS. EVEN NORWAY'S PASSENGER VESSELS APPEAR TO BE GETTING ENOUGH BUNKERS PERHAPS FROM THE "GRAY MARKEY," AND WERE REDUCING CONSUMPTION 20 PERCENT BY LOWERING SPEEDS AND ELIMINATING STOPS. EVENSEN WILL GO TO TOKYO NEXT WEEK TO DISCUSS SHIPPING MATTERS IN GENERAL AND WILL LOOK INTO BUNKERING SITUATION THERE.

5. EVENSEN CONFIRMED THAT NORWAY WAS COORDINATING OIL PUR-

CHASES AND CONSUMPTION RESTRICTIONS WITH DENMARK AND SWEDEN. HE COMMENTED THAT GASOLINE IN DENMARK WAS SO SCARCE THAT THE DANISH GOVERNMENT COULD NOT INTRODUCE RATIONING. AVERAGE CONSUMPTION PER CAR THERE DURING WINTER WAS ONLY 20 LITERS PER MONTH (COMPARED TO 90 TO 100 IN NORWAY), AND RATIONING WOULD HAVE TO CUT BACK CONSUMPTION TO A POLITICALLY UN-ACCEPTABLE 10 LITERS A MONTH.

6. EVENSEN DECLINED TO COMMENT ON PRESS REPORTS THAT A PRIVATE NORWEGIAN COMPANY, NOREXIM, HAD PURCHASED EIGHT MILLION TONS OF CRUDE FROM SAUDI ARABIA AND WOULD SHORTLY CONCLUDE A 5-YEAR CONTRACT FOR DELIVERY OF 13 MILLION TONS OF CRUDE FROM INDONESIA. THE INDONESIAN PURCHASE IS SAID TO BE WITH A WEST GERMAN COMPANY. ONLY A SMALL PART WOULD COME TO NORWAY. EVENSEN DID CONFIRM THAT NOREXIM TALKS WITH SOVIETS ON COMPLETION OF THEIR 1973 CONTRACT AND ON A 1974 CONTRACT WERE STALEMATED OVER SOVIET PRICE DEMANDS. NOREXIM'S 1973 CONTRACT WAS FOR 600,000 TONS OF SOVIET PRODUCT.

7. EVENSEN ALSO ELABORATED ON HIS PRESS REMARKS THAT IN THE LAST FEW MONTHS NORWAY HAD RECEIVED LARGE NUMBERS OF OFFERS FOR LARGE QUANTITIES OF OIL (IN THE PRESS HE IS REPORTED TO HAVE SAID THAT TAKEN TOGETHER THESE OFFERS WOULD TOTAL 150 PERCENT OF THE WORLD'S TOTAL YEARLY OIL PRODUCTION). A RECENT OFFER HAD COME FROM AN AMERICAN WHO REPRESENTED A NUMBER OF "ARABIAN PRINCES," WISHED EVENSEN TO GO WITH HIM TO THE MIDDLE EAST TO CONCLUDE A CONTRACT FOR 50 MILLION TONS OF CRUDE, AND HAD NO CONNECTION WITH THE OIL BUSINESS BUT HAD BUILT HOUSES IN THE MIDDLE EAST FOR SOME OF THE PRINCES CONCERNED. PART OF THE DEAL WAS THAT PROCEEDS WOULD BE INVESTED IN AMERICA, PARTICULARLY IN REAL ESTATE. ACCORDING TO EVENSEN, ROYALTY OIL AND OIL FROM PRODUCER COUNTRY LIMITED OFFICIAL USE

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PARTICIPATION IN PRODUCTION IS AMOUNTING TO AN INCREASING PORTION OF WORLD OUTPUT. ARAB REFUSAL TO SELL THIS OIL TO THE INTERNATIONAL OIL COMPANIES WITH REFINERY CAPACITY AND THEIR DIRECT SALES ON THE OPEN MARKET WERE UPSETTING THE OIL MARKET. EVENSEN SAID IT WAS IMPOSSIBLE TO TELL WHETHER OFFERS WERE SERIOUS OR NOT, THOUGH HE WAS CONVINCED THE AMERICAN VISITOR JUST DESCRIBED WAS BONA FIDE. HE ALSO STRESSED HIS BELIEF THAT BOTH PRODUCERS AND CONSUMERS MUST WORK TOGETHER TO GET THE SITUATION IN HAND IN ORDER TO AVOID EVEN MORE SERIOUS DISRUPTIONS. BYRNE

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